



Senate

General Assembly

File No. 642

January Session, 2009

Substitute Senate Bill No. 327

Senate, April 15, 2009

The Committee on Government Administration and Elections reported through SEN. SLOSSBERG of the 14th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT ESTABLISHING A STATE SAVINGS PLAN FOR RECENT COLLEGE GRADUATES WHO WORK IN CONNECTICUT.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2009*) (a) The State Treasurer, in
2 consultation with the Commissioner of Revenue Services, shall
3 establish a first-time homebuyer savings program whereby any
4 individual who graduates from a public or independent institution of
5 higher education in the state on or after January 1, 2010, may elect,
6 within one year of such graduation, to have up to five thousand
7 dollars of the taxes paid with respect to the Connecticut taxable income
8 of such individual pursuant to chapter 229 of the general statutes in
9 each taxable year segregated by the Commissioner of Revenue Services
10 and deposited into the Connecticut First-Time Homebuyers Fund
11 established in section 2 of this act for the purpose of purchasing the
12 first home to be owned by such graduate, provided such graduate
13 shall reside in Connecticut prior to payment from the State Treasurer
14 for such purchase. Such taxes shall be segregated for taxable years

15 commencing on or after January 1, 2010. Enrollment in the program
16 shall begin on January 1, 2010.

17 (b) Not later than October 1, 2009, the State Treasurer, in
18 consultation with the Commissioner of Revenue Services, shall adopt
19 regulations, in accordance with the provisions of chapter 54 of the
20 general statutes, to carry out the provisions of this section and section
21 2 of this act.

22 (c) Not later than January 1, 2011, and annually thereafter, the State
23 Treasurer shall submit a report to the joint standing committee on
24 government administration and elections, in accordance with the
25 provisions of section 11-4a of the general statutes, on the program
26 established pursuant to subsection (a) of this section. Such report shall
27 review the utilization of the program and may include
28 recommendations for legislation.

29 Sec. 2. (NEW) (*Effective July 1, 2009*) There is created a "Connecticut
30 First-Time Homebuyers Fund". Moneys segregated by the
31 Commissioner of Revenue Services pursuant to section 1 of this act
32 shall be deposited into the fund. Amounts deposited into the fund
33 shall be available to the State Treasurer for payments to participants in
34 the first-time home buyer program established pursuant to section 1 of
35 this act. The State Treasurer shall invest the proceeds of the fund and
36 investment earnings shall be credited to and become part of the
37 General Fund. Any balance remaining in the Connecticut First-Time
38 Homebuyers Fund at the end of each fiscal year shall be carried
39 forward in the fund for the succeeding fiscal year. Any funds
40 segregated for a participant in the program that are not used for the
41 purchase of a home shall be transferred to the General Fund. Any costs
42 incurred by the State Treasurer in administering the fund shall be paid
43 from the fund.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2009	New section

Sec. 2	July 1, 2009	New section
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Statement of Legislative Commissioners:

In subsection (a) of section 1, "with respect to the Connecticut taxable income of such individual" was substituted for "on the gross income" for accuracy and clarity, "taxable" was substituted for "calendar" for consistency, and the "first home of such graduate" was replaced by "first home to be owned by such graduate". In subsection (b) of section 1, the reference to section 2 was added for statutory consistency.

GAE *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 10 \$	FY 11 \$
Department of Revenue Services	GF - Revenue Loss	Indeterminate	Indeterminate
Treasurer	GF - Cost	See Below	None
Department of Revenue Services	GF - Cost	See Below	See Below
Comptroller Misc. Accounts (Fringe Benefits) ¹	GF - Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

It is unclear from the language of the bill whether eligible graduates: (1) can elect to have up to \$5,000 of the taxes paid on gross income in every calendar year deposited into the First-time Homebuyers Fund or (2) are limited to a total of \$5,000 deposited into the Fund. Either option will result in a General Fund revenue loss to the Personal Income Tax beginning FY 11 but the magnitude cannot be determined.

The bill is expected to result in a cost to the Department of Revenue Services (DRS) to administer the reporting and tax provisions of the bill. DRS would need a Systems Developer with an annual cost of \$87,801 (\$70,000 salary, \$17,801 fringe benefits) and \$260,000 in FY 10 for a one-time set-up and programming cost.

¹ The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller on an actual cost basis. The following is provided for estimated costs associated with additional personnel. The estimated non-pension fringe benefit rate as a percentage of payroll is 25.43%. Fringe benefit costs for new positions do not initially include pension costs as the state's pension contribution is based upon the 6/30/08 actuarial valuation for the State Employees Retirement System (SERS) which certifies the contribution for FY 10 and FY 11. Therefore, new positions will not impact the state's pension contribution until FY 12 after the next scheduled certification on 6/30/2010.

The bill is anticipated to result in a minimal General Fund cost (between \$15,000 and \$35,000) to the Office of the State Treasurer (OST) for adopting regulations associated with the first-time homebuyer program. Since the bill provides that any costs incurred by OST in administering the fund shall be paid from the fund, it is anticipated that the General Fund cost will be reimbursed once the homebuyer program is established.

The Out Years

The fiscal impact of the bill in future years cannot be determined

Sources: Office of the State Treasurer, Department of Higher Education

OLR Bill Analysis**sSB 327*****AN ACT ESTABLISHING A STATE SAVINGS PLAN FOR RECENT COLLEGE GRADUATES WHO WORK IN CONNECTICUT.*****SUMMARY:**

This bill requires the state treasurer, in consultation with the revenue services commissioner, to (1) establish a First-time Homebuyer Savings program for graduates of any college in the state and (2) adopt implementing regulations by October 1, 2009.

Eligible participants must graduate on or after January 1, 2010 and within one year after receiving their degree elect to have up to \$5,000 of the taxes they pay on their gross income in a calendar year deposited into the nonlapsing First-time Homebuyers Fund the bill establishes. Participants must live in Connecticut before the state treasurer pays money out of the fund for the purchase of their first home.

The bill requires the state treasurer to administer the fund, invest its proceeds, and credit the investment earnings to the General Fund. She may deduct administrative costs from the fund. It requires the revenue services commissioner to segregate the taxes for deposit into the fund.

The bill requires that money in the First-time Homebuyers Fund that is not used for the purchase of a home be transferred to the General Fund. There is no time limit on program participation or deadline by which participants must purchase their first home; thus, it is unclear when or if any funds would be transferred to the General Fund.

Annually, beginning January 1, 2011, the state treasurer must submit to the Government Administration and Elections Committee a

status report on the program, including usage and recommendations for legislation.

EFFECTIVE DATE: July 1, 2009

BACKGROUND

Related Bill

HB 5073, favorably reported by the Housing Committee, requires the Department of Economic and Community Development to establish a voluntary first-time homebuyer savings program for graduates of state public or independent higher education institutions. The program is funded by tax revenue that the state receives from the graduates. Graduates have 10 years from the date of graduation to use money in the fund to purchase a home.

COMMITTEE ACTION

Government Administration and Elections Committee

Joint Favorable Substitute

Yea 15 Nay 0 (03/30/2009)